



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

Montana Historical Society

*For the Two Fiscal Years Ended
June 30, 2014*

DECEMBER 2014

LEGISLATIVE AUDIT
DIVISION

14-24

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REPRESENTATIVES

RANDY BRODEHL, CHAIR
Randybrodehl57@gmail.com

VIRGINIA COURT
Vjchd52@yahoo.com

MIKE CUFFE
mcuffe@interbel.net

MARY McNALLY
mcnallyhd49@gmail.com

RYAN OSMUNDSON
Ryanosmundson@gmail.com

J.P. POMNICHOWSKI
pomnicho@montanadsl.net

SENATORS

DEE BROWN
repdee@yahoo.com

TAYLOR BROWN
taylor@northernbroadcasting.com

GREG JERGESON, VICE CHAIR
jergeson4senator@yahoo.com

SUE MALEK
senatormalek@gmail.com

FREDRICK (ERIC) MOORE
mail@SenatorEricMoore.com

MITCH TROPILA
tropila@mt.net

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine whether an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) licenses.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2013, was issued March 28, 2014. The Single Audit Report for the two fiscal years ended June 30, 2015, will be issued by March 31, 2016. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
Room 277, State Capitol
P.O. Box 200802
Helena, MT 59620-0802

Legislative Audit Division
Room 160, State Capitol
P.O. Box 201705
Helena, MT 59620-1705

AUDIT STAFF

JEANE CARSTENSEN-GARRETT VANESSA SHAW
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LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
Angus Maciver

December 2014

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana Historical Society for the two fiscal years ended June 30, 2014. There were no recommendations to the Montana Historical Society.

This report includes the Montana Historical Society's financial schedules. The financial schedule presentation is intended to provide the legislative body with information necessary for decision-making purposes; it is not intended to conform to the financial reporting requirements established in generally accepted accounting principles (GAAP). The financial schedule presentation has not changed, but audit reporting standards have changed. Auditing standards require us to clearly communicate that the financial schedule presentation is not intended to, and does not, conform to GAAP reporting requirements. The Independent Auditor's Report on page A-1 contains language to this effect in the section titled "Adverse Opinions on U.S. Generally Accepted Accounting Principles." This section does not imply the amounts presented on the Montana Historical Society's financial schedules are not fairly stated. Page A-1 also communicates the extent to which the user can rely on the information contained in the financial schedules in the section titled "Unmodified Opinions on Regulatory Basis of Accounting."

The Montana Historical Society's written response to the audit is included in the audit report at page B-1. We thank the Director and his staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

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Montana Historical Society	B-1

APPOINTED AND ADMINISTRATIVE OFFICIALS

Montana Historical Society Administrative Officials

Bruce Whittenberg, Director

Denise King, Centralized Services Administrator

Montana Historical Society Board of Trustees

		<u>Term Expires</u>
Crystal Wong Shors, President	Helena	07/01/2016
Bob Brown, Vice President	Whitefish	07/01/2016
Thomas Nygard, Secretary	Bozeman	07/01/2016
Janene Caywood	Missoula	07/01/2018
Jim Court	Billings	07/01/2019
George Dennison	Missoula	07/01/2017
Cliff Edwards	Billings	07/01/2019
Shirley Groff	Butte	07/01/2015
Ed Jasmin	Helena	07/01/2018
Kent Kleinkopf	Missoula	07/01/2017
Steve Lozar	Polson	07/01/2017
James W. Murry	Clancy	07/01/2015
Jude Sheppard	Chinook	07/01/2015
Ed Smith	Helena	07/01/2018
Jim Utterback	Helena	07/01/2019

Montana State Historical Preservation Review Board

		<u>Term Expires</u>
Lesley Gilmore, Chairperson	Gallatin Gateway	10/01/2016
Jon Axline	Helena	10/01/2016
Cynthia Auge	Missoula	10/01/2018
Carol Bronson	Great Falls	10/01/2017
Zane Fulbright	Lewistown	10/01/2018

Debra Hronek	Red Lodge	10/01/2015
Charles McLeod	Missoula	10/01/2016
Timothy Urbaniak	Billings	10/01/2015
Miki Wilde	East Helena	10/01/2015

For additional information concerning the Montana Historical Society,
contact Denise King, Centralized Services Administrator:

225 North Roberts
P.O. Box 201201
Helena, MT 59620-1201
(406) 444-4699
e-mail: dking@mt.gov



MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT

Montana Historical Society

For the Two Fiscal Years Ended June 30, 2014

DECEMBER 2014

14-24

REPORT SUMMARY

The Montana Historical Society serves to promote an understanding and appreciation of Montana's cultural heritage. One way of promoting this understanding is by preserving historic places throughout the state. Currently, there are more than 1,000 Montana properties from every county listed on the National Register of Historical Places. Another way of promoting this understanding is by maintaining exhibits for the public. In fiscal year 2014, more than 32,000 people visited these exhibits.

Context

The Montana Historical Society works to preserve historic resources for future generations, provide programs that interpret Montana's past to the public, and provide assistance to all organizations that preserve and interpret Montana's history. This goal is accomplished through the operations of the museum collection, research center, Montana State Historical Preservation Office, and the education and outreach program.

Over 50,000 artifacts make up the Museum collection. This collection contains art, costumes, textiles, paper, firearms, and agricultural, cattle, and mining industry objects. This collection includes the 200 piece Charlie Russell art collection.

Publications produced by the Montana Historical Society include *Montana The Magazine of Western History* and the Montana Historical Society Press. Currently, there are more than fifty titles in print.

The Montana Historical Society relies on the contributions of volunteers. Volunteers provide a wide range of services including giving school tours, research, and administrative support. In 2014 the Friends of the Society volunteer organization celebrates its 42nd year.

Total revenues collected by the Montana Historical Society were approximately \$2.7 million and \$2.5 million in fiscal years 2013 and 2014, respectively. Revenue comes primarily from the sale of documents, merchandise, and property; grants, contracts, and donations; and federal sources.

Total expenditures were approximately \$5.9 million and \$6.5 million in fiscal years 2013 and 2014, respectively. These expenditures are primarily for personal services and operating expenses.

Results

We focused our audit efforts on the primary activity for the Montana Historical Society. This included analyzing personal service expenditures, examining support for operating expenditures, reviewing private grant revenue activity for reasonableness, inspecting federal grant revenue support, and examining the support for daily deposits. Throughout the audit, we reviewed the Montana Historical Society's control systems and evaluated compliance with selected laws and regulations. This report does not contain any recommendations to the Montana Historical Society. The prior audit report also did not contain recommendations to the Montana Historical Society.

For a complete copy of the report (14-24) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>

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Call toll-free 1-800-222-4446, or e-mail ladhotline@mt.gov.

Chapter I – Introduction

General

We performed a financial-compliance audit of the Montana Historical Society (society) for the two fiscal years ended June 30, 2014. The objectives of the audit were to:

1. Obtain an understanding of the society's internal control systems to the extent necessary to support our audit of the society's financial schedules and, if appropriate, make recommendations for improvement in management and internal controls.
2. Determine whether the society's financial schedules present fairly the results of operations and changes in fund equity for each of the two fiscal years ended June 30, 2014, and June 30, 2013.
3. Determine the society's compliance with selected state and federal laws and regulations.

We addressed these objectives by focusing our audit effort on primary activity for the society. This included analyzing personal service expenditures, examining support for operating expenditures, reviewing private grant revenue activity for reasonableness, inspecting federal grant revenue support, and examining the support for daily deposits. Throughout the audit, we reviewed the society's control systems and evaluated compliance with selected state laws and regulations.

Montana Historical Society Background

The purpose of the society is to protect, preserve, and interpret Montana and western American history for the benefit of the public. The following describes society operations and notes the full time equivalent employees (FTE) authorized by the legislature for fiscal year 2014.

Administration Program (18.43 FTE) provides supervision, administration, and coordination of the six programs in the Montana Historical Society. Program staff are responsible for the management, planning, direction, and leadership of the society. Activities include public information, payroll/personnel, fund raising, financial reporting, business management, security, building management, community outreach, and the society store.

Research Center Program (14.75 FTE) consists of the library, archives, and photograph archives functions. This program acquires, organizes, preserves, makes accessible to the public, and assists researchers with published materials, historic records and manuscripts, photographs and related media, and oral histories illustrative of the history of Montana and the surrounding region. This program houses the official archives of the state.

Museum Program (8.05 FTE) collects, preserves, and interprets the history of Montana. The program collects fine art and historical, archaeological, and ethnological artifacts from Montana and the general geographic region. The program displays and interprets its collections through exhibits and tours. The program also coordinates with the society's Education Program to orchestrate events, programs, and materials on Montana history for learners of all ages.

Publications Program (5.00 FTE) promotes the study of Montana history and education through lectures, publications, and curriculum materials. The program publishes quarterly editions of the award-winning *Montana The Magazine of Western History* and the *Society Star*, the official membership newsletter. Books are also published under the Montana Historical Society Press imprint.

Education Program (5.85 FTE) conducts tours, produces public programs, manages the volunteer program, produces curriculum resources for teachers, and produces outreach resources. Outreach resources include staff-assembled "hands-on history" footlockers, Montana history textbook, and on-line teacher resources. Other activities include the National Register Sign Program, which produces interpretive signage for eligible structures and sites in all parts of the state.

Historic Sites Preservation Program (State Historic Preservation Office) (8.75 FTE) staff provide technical assistance to all Montana property owners, maintain a statewide inventory of recorded historic and archaeological sites, review and comment on all proposed or permitted federally funded projects, and administer the National Register of Historic Places through the State Preservation Review Board. The program awards and administers pass-through federal grants to local governments participating in the federal Certified Local Government Program. When funds are available, the program may also award funds for historic survey and planning.

Independent Auditor's Report and Society Financial Schedules

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
Angus Maciver

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

Introduction

We have audited the accompanying Schedules of Changes in Fund Equity, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Montana Historical Society for each of the fiscal years ended June 30, 2014, and 2013, and the related notes to the financial schedules.

Management's Responsibility for the Financial Schedules

Management is responsible for the preparation and fair presentation of these financial schedules in accordance with the regulatory format prescribed by the Legislative Audit Committee, based on the transactions posted to the state's accounting system without adjustment; this responsibility includes recording transactions in accordance with state accounting policy; and designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the society's preparation and fair presentation of the financial schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the society's internal control, and accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial schedules are prepared from the transactions posted to the state's primary accounting system without adjustment, in the regulatory format prescribed by the Legislative Audit Committee. This is a basis of accounting other than accounting principles generally accepted in the United States of America. The financial schedules are not intended to, and do not, report assets, liabilities, or cash flows.

The effects on the financial schedules of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinions on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles" paragraph, the financial schedules referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Montana Historical Society as of June 30, 2014, and June 30, 2013, or changes in financial position and cash flows for the years then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the Schedules of Changes in Fund Equity, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out, present fairly, in all material respects, the results of operations and changes in fund equity of the Montana Historical Society for each of the fiscal years ended June 30, 2014, and 2013, in conformity with the basis of accounting described in Note 1.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

October 31, 2014

HISTORICAL SOCIETY
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Permanent Fund
FUND EQUITY: July 1, 2013	\$ (107,223)	\$ 2,895,185	\$ 0	\$ 372,581	\$ 1,356,322
ADDITIONS					
Budgeted Revenues & Transfers-In	1,543	170,194	1,117,828	745,493	
Nonbudgeted Revenues & Transfers-In	36,526	379,211		(21)	77,951
Prior Year Revenues & Transfers-In Adjustments		248	208	(1,322)	
Direct Entries to Fund Equity	3,419,526	859,919			
Total Additions	3,457,595	1,409,572	1,118,036	744,150	77,951
REDUCTIONS					
Budgeted Expenditures & Transfers-Out	3,500,881	1,006,352	1,085,015	655,073	
Nonbudgeted Expenditures & Transfers-Out	(3,478)	182,227	33,967	39,917	45,597
Prior Year Expenditures & Transfers-Out Adjustments	(274)	(85)	(946)	1,696	
Total Reductions	3,497,129	1,188,494	1,118,036	696,686	45,597
FUND EQUITY: June 30, 2014	\$ (146,757)	\$ 3,116,263	\$ 0	\$ 420,045	\$ 1,388,676

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

HISTORICAL SOCIETY
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Permanent Fund
FUND EQUITY: July 1, 2012	<u>\$ (136,720)</u>	<u>\$ 2,468,003</u>	<u>\$ 0</u>	<u>\$ 322,820</u>	<u>\$ 1,400,830</u>
ADDITIONS					
Budgeted Revenues & Transfers-In	1,105	179,130	1,137,009	744,704	
Nonbudgeted Revenues & Transfers-In	53,463	597,282	290		26,522
Prior Year Revenues & Transfers-In Adjustments		55	1,227	(5,259)	
Direct Entries to Fund Equity	2,861,315	844,513			
Total Additions	<u>2,915,883</u>	<u>1,620,980</u>	<u>1,138,526</u>	<u>739,445</u>	<u>26,522</u>
REDUCTIONS					
Budgeted Expenditures & Transfers-Out	2,892,088	809,583	1,100,903	686,580	
Nonbudgeted Expenditures & Transfers-Out	(2,232)	385,637	37,623	7,073	71,030
Prior Year Expenditures & Transfers-Out Adjustments	(3,470)	(1,422)		(3,969)	
Total Reductions	<u>2,886,386</u>	<u>1,193,798</u>	<u>1,138,526</u>	<u>689,684</u>	<u>71,030</u>
FUND EQUITY: June 30, 2013	<u>\$ (107,223)</u>	<u>\$ 2,895,185</u>	<u>\$ 0</u>	<u>\$ 372,581</u>	<u>\$ 1,356,322</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

HISTORICAL SOCIETY
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TOTAL REVENUES & TRANSFERS-IN BY CLASS

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Permanent Fund	Total
Taxes			\$ 208			\$ 208
Charges for Services	\$ 1,128	\$ 6,028		\$ 138,604	\$ 100	145,860
Investment Earnings		70,975		53	71,597	142,625
Sale of Documents, Merchandise and Property		5,493		604,143		609,636
Rentals, Leases and Royalties		631		1,350		1,981
Grants, Contracts, and Donations		466,526				466,526
Transfers-in	36,526					36,526
Capital Asset Sale Proceeds					6,254	6,254
Federal Indirect Cost Recoveries			121,469			121,469
Miscellaneous	415					415
Federal			996,360			996,360
Total Revenues & Transfers-In	38,069	549,653	1,118,037	744,150	77,951	2,527,860
Less: Nonbudgeted Revenues & Transfers-In	36,526	379,211		(21)	77,951	493,667
Prior Year Revenues & Transfers-In Adjustments		248	208	(1,322)		(866)
Actual Budgeted Revenues & Transfers-In	1,543	170,194	1,117,829	745,493	0	2,035,059
Estimated Revenues & Transfers-In	1,300	172,468	1,164,100	690,601		2,028,469
Budgeted Revenues & Transfers-In Over (Under) Estimated	243	(2,274)	(46,271)	54,892	0	6,590

BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS

Charges for Services	\$ (72)	\$ (1,370)	\$	2,703	\$	1,261
Investment Earnings		(79)		(25)		(104)
Sale of Documents, Merchandise and Property		(3,335)		52,664		49,329
Rentals, Leases and Royalties				150		150
Grants, Contracts, and Donations		2,610		(500)		2,110
Federal Indirect Cost Recoveries			\$ (33,584)			(33,584)
Miscellaneous	315	(100)	(100)			15
Federal			(12,587)			(12,587)
Budgeted Revenues & Transfers-In Over (Under) Estimated	243	(2,274)	(46,271)	54,892	0	6,590

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

HISTORICAL SOCIETY
 SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Permanent Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS						
Taxes			1,517			\$ 1,517
Charges for Services	\$ 1,087	\$ 24,386	\$	\$ 118,791		\$ 144,263
Investment Earnings		24,297			\$ 21,895	\$ 46,192
Sale of Documents, Merchandise and Property		208,986		619,094		\$ 828,081
Rentals, Leases and Royalties		612		1,105		\$ 1,717
Grants, Contracts, and Donations		509,202		450		\$ 509,652
Transfers-in		8,972				\$ 62,435
Capital Asset Sale Proceeds	53,463				4,627	\$ 4,626
Federal Indirect Cost Recoveries			138,082			\$ 138,082
Miscellaneous	18	12	62	5		\$ 97
Federal						
Total Revenues & Transfers-In	54,568	776,467	998,865	739,445	26,522	2,735,528
Less: Nonbudgeted Revenues & Transfers-In	53,463	597,282	290	(5,259)	26,522	677,557
Prior Year Revenues & Transfers-In Adjustments		55	1,227			(3,977)
Actual Budgeted Revenues & Transfers-In	1,105	179,130	1,137,009	744,704	0	2,061,948
Estimated Revenues & Transfers-In	1,400	179,539	1,115,700	746,300		2,042,939
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (295)	\$ (409)	\$ 21,309	\$ (1,596)	\$ 0	\$ 19,009
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS						
Charges for Services	\$ 187	\$ (62)	\$	\$ (1,579)	\$	\$ (1,455)
Sale of Documents, Merchandise and Property		36		723		758
Rentals, Leases and Royalties				(95)		(95)
Grants, Contracts, and Donations		(294)		(550)		(844)
Federal Indirect Cost Recoveries		\$	4,482			4,482
Miscellaneous	(482)	(89)	(38)	(94)		(703)
Federal			16,865			16,865
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (295)	\$ (409)	\$ 21,309	\$ (1,596)	\$ 0	\$ 19,009

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

HISTORICAL SOCIETY
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Administration Program	Education	Historic Preservation Program	Museum Program	Publications Program	Research Center	Total
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT							
Personal Services							
Salaries	\$ 710,760	\$ 246,122	\$ 392,707	\$ 307,473	\$ 208,890	\$ 723,040	\$ 2,588,992
Employee Benefits	265,015	95,168	156,727	134,533	81,077	288,959	1,021,479
Personal Services-Other	2,209		(218)		2,857		4,848
Total	<u>977,984</u>	<u>341,290</u>	<u>549,216</u>	<u>442,006</u>	<u>292,824</u>	<u>1,011,999</u>	<u>3,615,319</u>
Operating Expenses							
Other Services	206,167	134,552	74,406	100,198	30,960	154,950	701,233
Supplies & Materials	29,036	13,963	13,802	72,612	1,917	36,962	168,292
Communications	39,452	11,156	11,657	22,578	9,353	25,201	119,397
Travel	13,668	62,431	16,021	1,106	1,622	13,703	108,551
Rent	23,352	17,622	23,352	304,759	9,060	141,536	519,681
Repair & Maintenance	3,259	722	1,356	9,384	372	18,589	33,682
Other Expenses	42,536	70,734	14,191	11,341	41,972	82,697	263,471
Goods Purchased For Resale	125,118			1,504	111,908	131	238,661
Total	<u>482,588</u>	<u>311,180</u>	<u>154,785</u>	<u>523,482</u>	<u>207,164</u>	<u>473,769</u>	<u>2,152,968</u>
Equipment & Intangible Assets							
Equipment	42,155			86,420		516,945	645,520
Total	<u>42,155</u>			<u>86,420</u>		<u>516,945</u>	<u>645,520</u>
Grants							
From Federal Sources			82,098				82,098
Total			<u>82,098</u>				<u>82,098</u>
Transfers-out							
Fund transfers	35,932		594				36,526
Total	<u>35,932</u>		<u>594</u>				<u>36,526</u>
Other Post Employment Benefits							
Other Post Employment Benefits	3,549		3,567		6,395		13,511
Total	<u>3,549</u>		<u>3,567</u>		<u>6,395</u>		<u>13,511</u>
Total Expenditures & Transfers-Out	<u>\$ 1,542,208</u>	<u>\$ 652,470</u>	<u>\$ 790,260</u>	<u>\$ 1,051,908</u>	<u>\$ 506,383</u>	<u>\$ 2,002,713</u>	<u>\$ 6,545,942</u>
EXPENDITURES & TRANSFERS-OUT BY FUND							
General Fund	\$ 1,010,719	\$ 252,206	\$ 38,819	\$ 535,025	\$ 189,793	\$ 1,470,567	\$ 3,497,129
State Special Revenue Fund	138,046	248,174	610	513,869	16,074	271,721	1,188,494
Federal Special Revenue Fund	120,875	135,739	664,711			196,711	1,118,036
Enterprise Fund	247,866	16,351	86,120	3,014	300,516	42,819	696,686
Permanent Fund	24,702					20,895	45,597
Total Expenditures & Transfers-Out	1,542,208	652,470	790,260	1,051,908	506,383	2,002,713	6,545,942
Less: Nonbudgeted Expenditures & Transfers-Out	95,389	6,310	4,619	17,384	47,537	126,992	298,231
Prior Year Expenditures & Transfers-Out Adjustments					750	(360)	390
Actual Budgeted Expenditures & Transfers-Out	1,446,819	646,160	785,641	1,034,524	458,096	1,876,081	6,247,321
Budget Authority	1,485,845	717,205	815,317	1,093,045	491,176	2,324,377	6,926,965
Unspent Budget Authority	<u>\$ 39,026</u>	<u>\$ 71,045</u>	<u>\$ 29,676</u>	<u>\$ 58,521</u>	<u>\$ 33,080</u>	<u>\$ 448,296</u>	<u>\$ 679,644</u>
UNSPENT BUDGET AUTHORITY BY FUND							
General Fund	\$ 33,417	\$ 1,899	\$ 150	\$ 3,013	\$ 969	\$ 11,604	\$ 51,052
State Special Revenue Fund	710	44,428		55,414		6,901	107,453
Federal Special Revenue Fund	155	23,885	26,103		6,000	424,509	480,652
Enterprise Fund	4,744	833	3,423	94	26,111	5,282	40,487
Unspent Budget Authority	<u>\$ 39,026</u>	<u>\$ 71,045</u>	<u>\$ 29,676</u>	<u>\$ 58,521</u>	<u>\$ 33,080</u>	<u>\$ 448,296</u>	<u>\$ 679,644</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

HISTORICAL SOCIETY
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Administration Program	Education	Historic Preservation Program	Museum Program	Publications Program	Research Center	Total
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT							
Personal Services							
Salaries	\$ 642,447	\$ 241,934	\$ 377,350	\$ 294,040	\$ 194,475	\$ 721,688	\$ 2,471,934
Employee Benefits	231,287	88,852	147,079	128,343	74,759	277,574	947,894
Personal Services-Other	(23)		(862)		(32,203)	(249)	(33,337)
Total	<u>873,711</u>	<u>330,786</u>	<u>523,567</u>	<u>422,383</u>	<u>237,031</u>	<u>999,013</u>	<u>3,386,491</u>
Operating Expenses							
Other Services	192,693	76,158	102,943	248,347	27,284	133,294	780,719
Supplies & Materials	39,884	16,005	23,934	51,660	1,814	53,952	187,249
Communications	28,755	12,415	11,489	23,899	8,683	20,556	105,797
Travel	11,453	18,067	13,663	10,263	2,132	11,547	67,125
Rent	27,644	15,036	19,520	305,881	9,228	119,244	496,553
Repair & Maintenance	3,043	600	1,140	7,199	372	22,642	34,996
Other Expenses	41,525	67,924	20,045	37,762	23,233	73,707	264,196
Goods Purchased For Resale	116,019			967	137,214	143	254,343
Total	<u>461,016</u>	<u>206,205</u>	<u>192,734</u>	<u>685,978</u>	<u>209,960</u>	<u>435,085</u>	<u>2,190,978</u>
Equipment & Intangible Assets							
Equipment	87,132			17,000		103,792	207,924
Total	<u>87,132</u>			<u>17,000</u>		<u>103,792</u>	<u>207,924</u>
Grants							
From Federal Sources			116,568				116,568
Total			<u>116,568</u>				<u>116,568</u>
Transfers-out							
Fund transfers	62,435						62,435
Total	<u>62,435</u>						<u>62,435</u>
Other Post Employment Benefits							
Other Post Employment Benefits	3,353		3,170		8,505		15,028
Total	<u>3,353</u>		<u>3,170</u>		<u>8,505</u>		<u>15,028</u>
Total Expenditures & Transfers-Out	\$ <u>1,487,647</u>	\$ <u>536,991</u>	\$ <u>836,039</u>	\$ <u>1,125,361</u>	\$ <u>455,496</u>	\$ <u>1,537,888</u>	\$ <u>5,979,424</u>
EXPENDITURES & TRANSFERS-OUT BY FUND							
General Fund	\$ 891,807	\$ 263,223	\$ 34,418	\$ 522,362	\$ 142,609	\$ 1,031,967	\$ 2,886,386
State Special Revenue Fund	192,715	204,257		599,726	10,424	186,676	1,193,798
Federal Special Revenue Fund	138,325	46,878	716,123		2,000	235,200	1,138,526
Enterprise Fund	242,425	22,633	85,498	3,273	300,463	35,392	689,684
Permanent Fund	22,375					48,655	71,030
Total Expenditures & Transfers-Out	1,487,647	536,991	836,039	1,125,361	455,496	1,537,890	5,979,424
Less: Nonbudgeted Expenditures & Transfers-Out	154,177	7,525	2,253	217,521	(5,496)	123,151	499,131
Prior Year Expenditures & Transfers-Out Adjustments	(69)	100		(1,422)		(7,470)	(8,861)
Actual Budgeted Expenditures & Transfers-Out	1,333,539	529,366	833,786	909,262	460,992	1,422,209	5,489,154
Budget Authority	1,482,716	754,326	933,048	922,844	467,495	1,577,659	6,138,088
Unspent Budget Authority	\$ <u>149,177</u>	\$ <u>224,960</u>	\$ <u>99,262</u>	\$ <u>13,582</u>	\$ <u>6,503</u>	\$ <u>155,450</u>	\$ <u>648,934</u>
UNSPENT BUDGET AUTHORITY BY FUND							
General Fund	\$ 22,709	\$ 14,681	\$ 500	\$ 2,420	\$ 1,108	\$ 750	\$ 42,168
State Special Revenue Fund	11,674	48,706		1,805		5	62,190
Federal Special Revenue Fund	137	150,032	92,771			124,446	367,386
Enterprise Fund	114,657	11,541	5,991	9,357	5,395	30,249	177,190
Unspent Budget Authority	\$ <u>149,177</u>	\$ <u>224,960</u>	\$ <u>99,262</u>	\$ <u>13,582</u>	\$ <u>6,503</u>	\$ <u>155,450</u>	\$ <u>648,934</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

Montana Historical Society

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 2014

1. Summary of Significant Accounting Policies

Basis of Accounting

The Montana Historical Society (society) uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, State Special Revenue, Federal Special Revenue, and Permanent). In applying the modified accrual basis, the society records:

- ◆ Revenues when it receives cash or when receipts are realizable, measurable, earned, and available to pay current period liabilities.
- ◆ Expenditures for valid obligations when the society incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the society to record the cost of employees' annual and sick leave when used or paid.

The society uses accrual basis accounting for its Proprietary (Enterprise) funds. Under the accrual basis, as defined by state accounting policy, the society records revenues in the accounting period when realizable, measurable, and earned, and records expenses in the period incurred when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the society receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format was adopted by the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

The society uses the following funds:

Governmental Fund Category

- ◆ **General Fund** – to account for all financial resources except those required to be accounted for in another fund.
- ◆ **State Special Revenue Fund** – to account for proceeds of specific revenue sources (other than private-purpose trusts or major capital projects) that are

legally restricted to expenditures for specific state program purposes. Society State Special Revenue Funds include the Historic Sites and Signs program, the Lodging Facility Use Tax, the Membership program, Lewis & Clark License Plates, the Original Governor's Mansion, Senate Art, grants and/or agreements with other state agencies, non-budgeted private funds, and non-budgeted trust funds.

- ♦ **Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. Society Federal Special Revenue Funds include the State Historic Preservation Office and other miscellaneous federal awards.
- ♦ **Permanent Fund** – to account for financial resources that are permanently restricted to the extent that only earnings, and not principal, may be used for purposes that support the society's programs. The society uses these private donations for which the donor permitted the use of investment earnings on the donations. Each fund has unique donor requirements as to what the investment earnings can support.

Proprietary Fund Category

- ♦ **Enterprise Fund** – to account for operations (a) financed and operated in a manner similar to private business enterprises, where the Legislature intends that the department finance or recover costs primarily through user charges; (b) where the Legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate; (c) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (d) when laws or regulations require that the activities' cost of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. Society Enterprise Funds include activities in all six programs within the society.

2. General Fund Equity Balance

The negative fund equity balance in the General Fund does not indicate overspent appropriation authority. The society has authority to pay obligations from the statewide General Fund within its appropriation limits. The society expends cash or other assets from the statewide fund when it pays General Fund obligations. The society's outstanding liabilities exceed the assets it has placed in the fund, resulting in negative ending General Fund equity balances for each of the fiscal years ended June 30, 2013 and June 30, 2014.

3. Direct Entries to Fund Equity

Direct entries to fund equity in the General and Special Revenue funds include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

4. Non-budgeted Activity

The society had significant non-budgeted revenues in the State Special Revenue Fund on the Schedule of Total Revenues & Transfers-In in fiscal years 2013 and 2014. Additionally, the society had significant non-budgeted expenditures on the Schedule of Total Expenditures & Transfers-Out in the Administration Program, the Museum Program, and the Research Center. The majority of this activity is related to the receipt and expenditure of private donations.

MONTANA HISTORICAL
SOCIETY

SOCIETY RESPONSE



*Historic Preservation
Museum
Outreach & Interpretation
Publications
Research Center*

December 10, 2014

**RECEIVED
DEC 11 2014
LEGISLATIVE AUDIT DIV.**

Ms. Tori Hunthausen, Legislative Auditor
Legislative Audit Division
Room 135, State Capital
Helena, MT 59620

Dear Ms. Hunthausen:

I would like to thank the Legislative Audit staff for their assistance and work performed on the Montana Historical Society Financial Compliance Audit for the two fiscal years ending June 20, 2014. The rapport established between the Auditor's office and the staff of the Historical Society made the process efficient and professional.

We have reviewed the Financial Compliance Audit for the two fiscal years ending June 30, 2014 and have no comments or exceptions to your report.

We will continue to strive to improve the fiscal management of the Montana Historical Society and appreciate the guidance provided by your office.

I am available to answer questions or provide any additional information.

Sincerely,

Denise C. King

Denise C. King
Administrator
Centralized Services Division

Bruce Whittenberg
Director

225 North Roberts Street
P.O. Box 201201
Helena, MT 59620-1201
(406) 444-2694
(406) 444-2696 FAX
montanahistoricalociety.org